

Six Minute Strategy

Higher rates, higher markets

September 2026

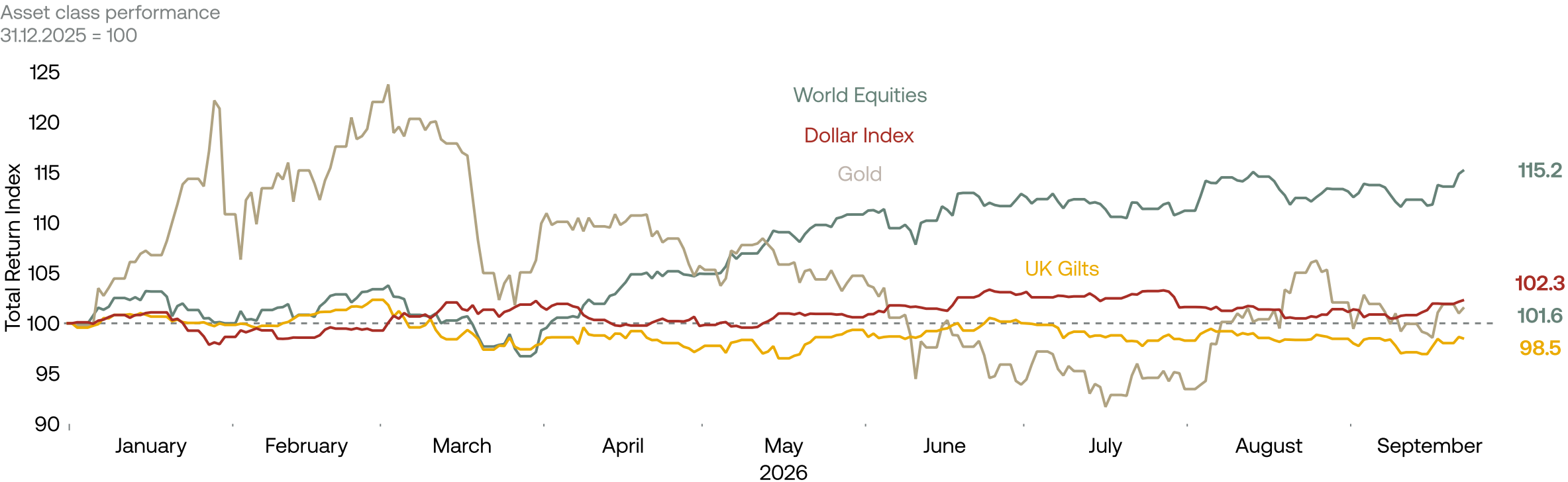
Marketing communication

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Global asset class performance

Equities rally despite rising bond yields, higher oil prices and global conflict

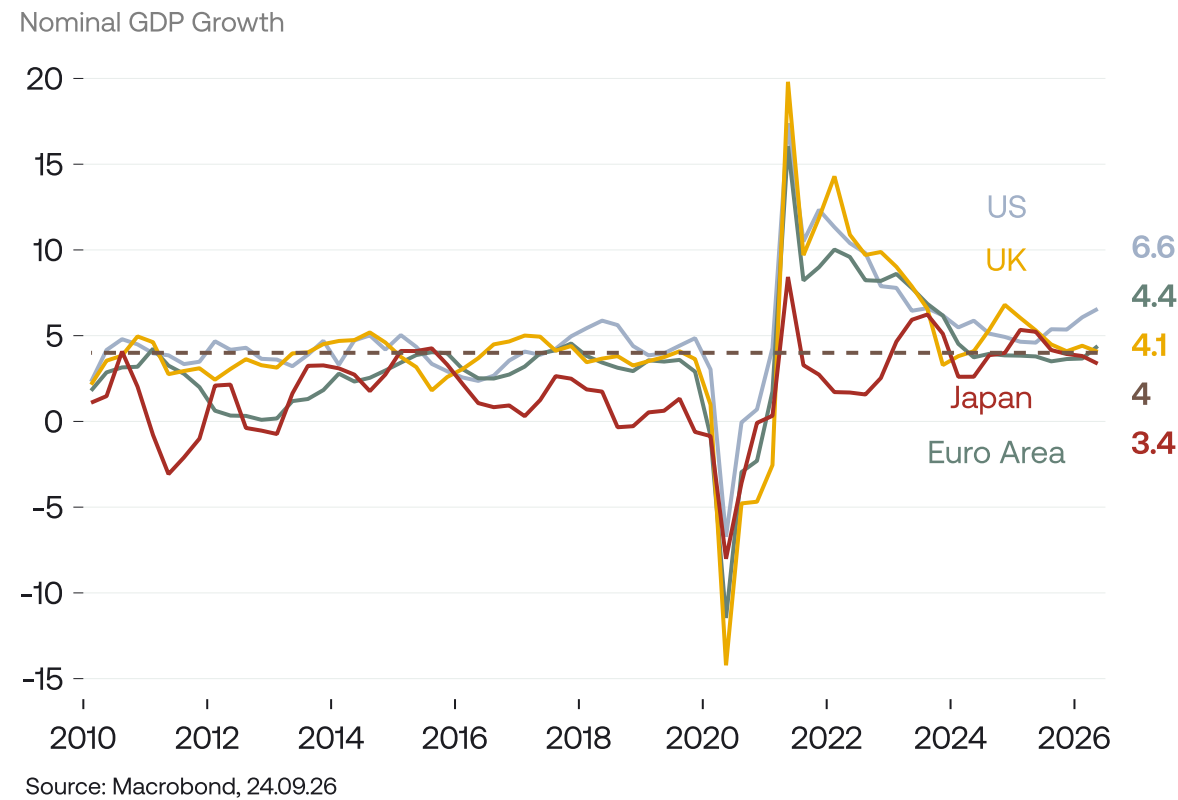


Source: Macrobond, 23.09.26

Past performance is not a reliable indicator of future results and may not be repeated.

Key features of markets in Q3 2026

1. Global growth robust as AI CAPEX, government spending and the US consumer (wealth effect) drive demand



Source: Empirical Research Partners, Q1 2026 estimates.
*Excludes financials and REITs; measured as aggregates.
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2. US and UK bond yields trade close to 2008 highs



Warsh versus Trump

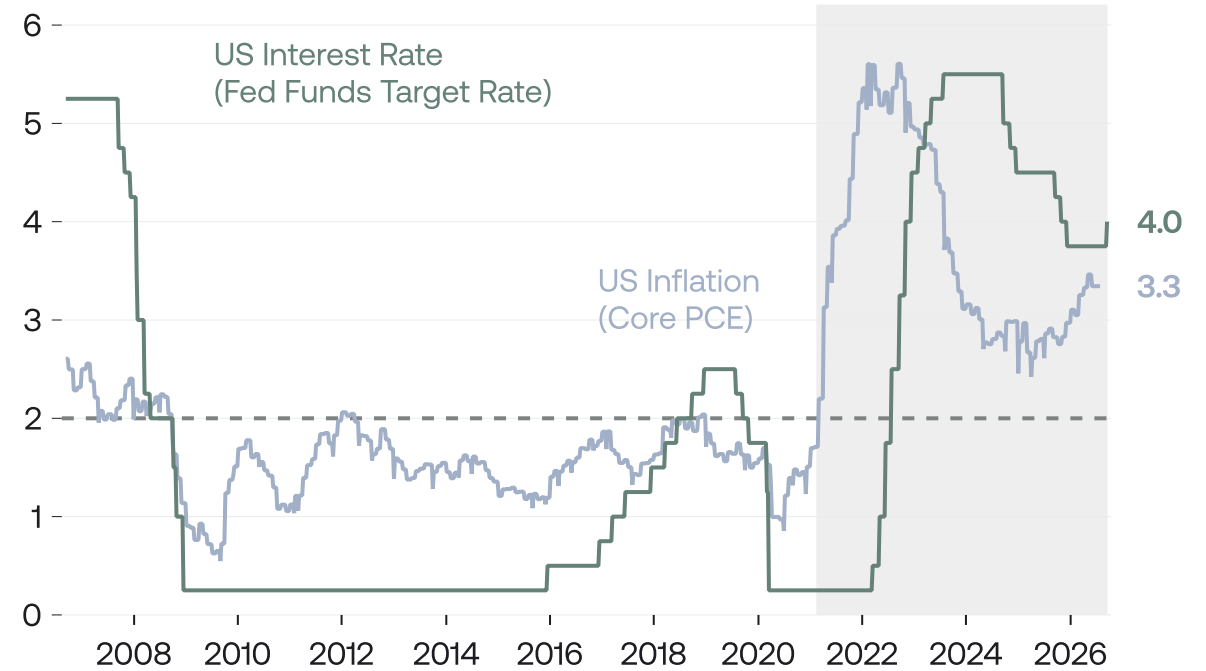
Chairman Warsh quotes after US rates were raised by 0.25% (FOMC 16.9.2026)

1. “For more than five years inflation has been running above target”
2. “Economic activity is expanding at a solid pace”
3. “Domestic spending has been resilient” and “capital investment is robust.”
4. “So we removed a dose of accommodation.”

‘We should have the LOWEST RATE of any country in the World...’

President Donald Trump – Truth Social 29/8/26

US Interest Rates & Inflation
Shaded area shows where inflation has been above 2%

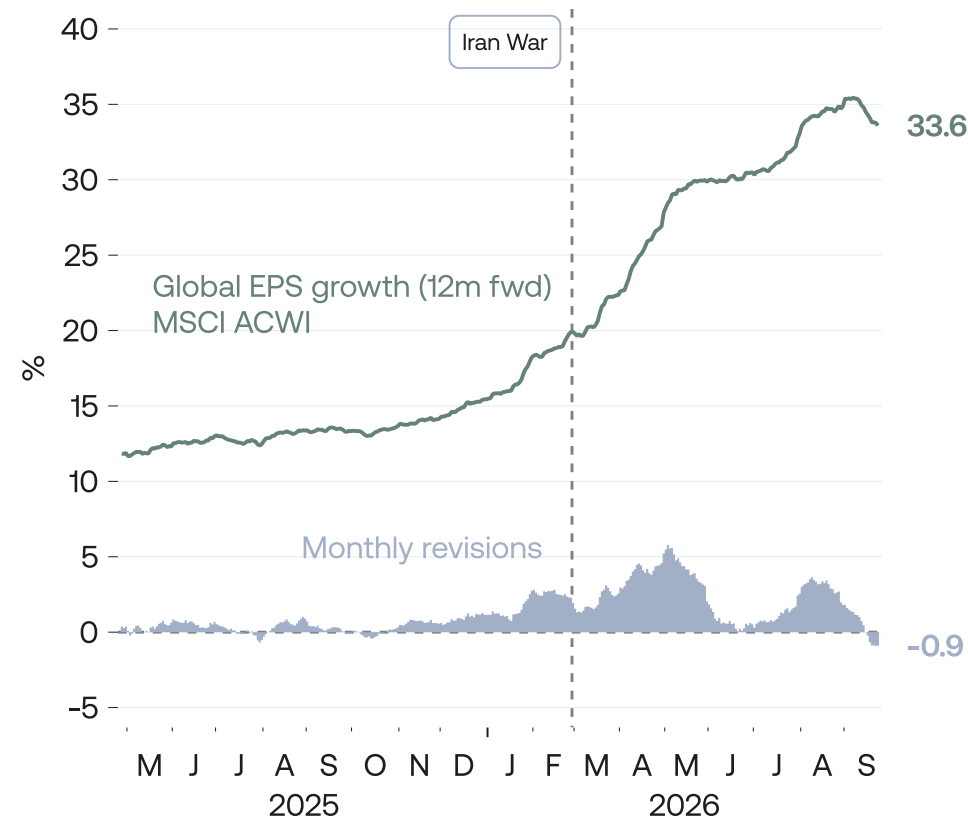


Source: Macrobond, 23.09.26

Global equity implications

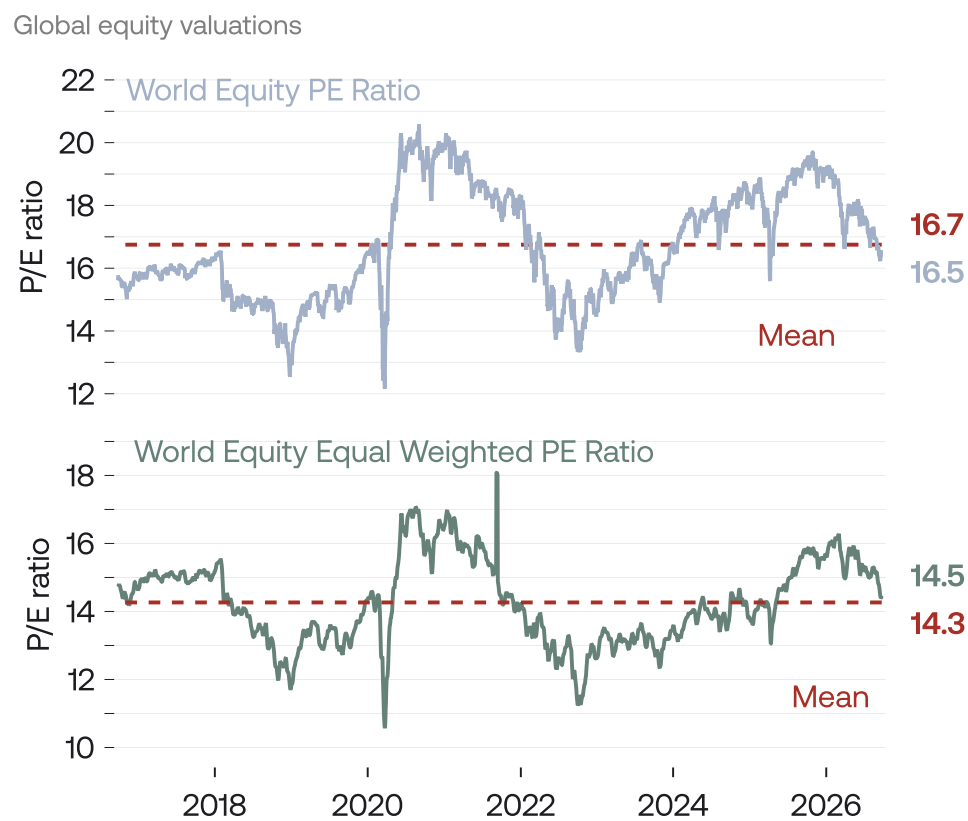
Overweight: Robust earnings – valuations less challenging

Earnings strong despite Iran war – revisions positive



Source: Macrobond, 23.09.26

Equity market valuations decline as profits surge

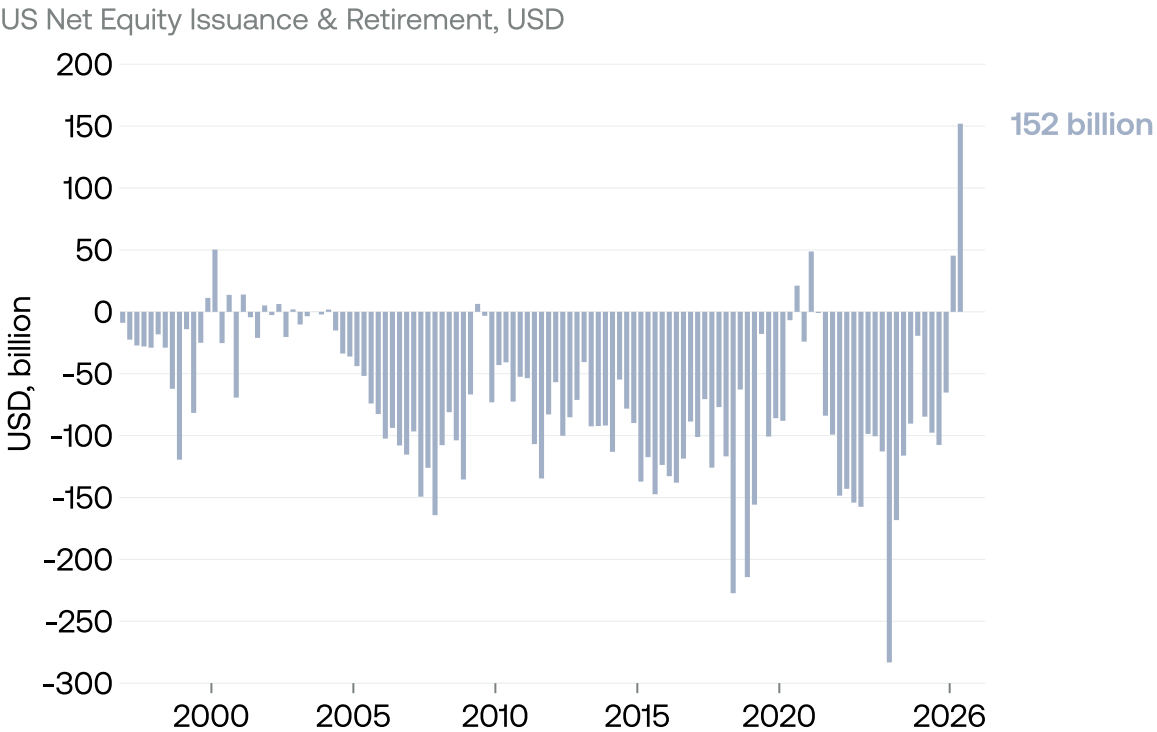


Source: Macrobond, 23.09.26

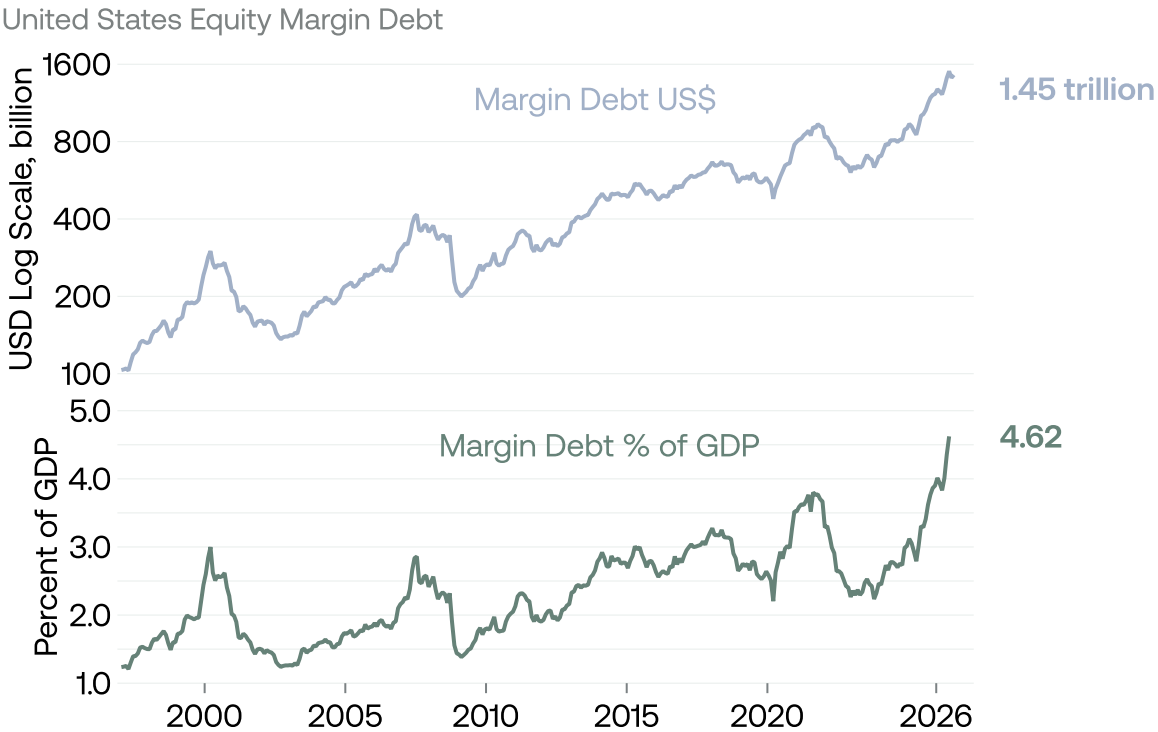
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Risks: Why are we not double overweight equities?

Equity profitability exceptional – watch further supply and margin debt



Source: Macrobond, 23.09.26



Source: Macrobond, 23.09.26

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September 2026: Policy stance

Bonds Underweight	Equities Overweight	Alternatives Overweight	Cash Underweight	Risks
Neutral government bonds: higher yields reflect fiscal risks Underweight credit: spreads remain historically tight	Overweight equity: global equity earnings remain robust; nominal growth remains high Valuation: earnings estimates continue to climb despite Iran war	Overweight alternatives: provides better risk adjusted return than fixed income. Emerging market local currency debt offers attractive returns Broader allocation to commodities	Opportunities to invest elsewhere	1. Inflationary risks remain persistent as economies run hot and energy shock persists 2. AI returns could prove elusive – earnings shock would risk derating in global markets 3. Liquidity squeeze / disorderly bond markets – rising net issuance in equity and bond markets could raise funding costs

Source: Sarasin & Partners, September 2026

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